HCL Technologies Limited and Subsidiaries

Unaudited Condensed Consolidated Financial Statements

For The Three and Nine Month Periods Ended December 31, 2019 and 2018

With Independent Auditors' Review Report

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Independent Auditors' Review Report

The Board of Directors
HCL Technologies Limited

Report on the Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of HCL Technologies Limited and its subsidiaries (the "Company") as of December 31, 2019, and the related condensed consolidated statements of income and comprehensive income for the three and nine months period ended December 31, 2019, and the related condensed consolidated statements of equity and cash flows for the nine months period ended December 31, 2019. The condensed consolidated statements of income and comprehensive income for the three and nine months period ended December 31, 2018, and the condensed consolidated statements of equity and cash flows of the Company for the nine months period ended December 31, 2018 were reviewed by other auditors whose report dated January 29, 2019, stated that based on their review, they were not aware of any material modifications that should be made to those statements in order for them to be in conformity with U.S. generally accepted accounting principles. The consolidated balance sheet of the Company as of March 31, 2019, and the related consolidated statements of income, comprehensive income, equity and cash flows for the year then ended (not presented herein), were audited by other auditors whose report dated May 9, 2019, expressed an unmodified opinion on those consolidated financial statements.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with U.S. generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information as of and for the three months and nine months ended December 31, 2019, for it to be in accordance with U.S. generally accepted accounting principles.

KPMG

Gurugram, Haryana, India
January 17, 2020

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Balance Sheets
Amount in thousands, except share and per share data

	As of	
	March 31, 2019 (audited)	December 31, 2019 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$857,771	$459,995
Term deposits with banks	279,689	17,370
Deposit with corporations	189,477	450,688
Investment securities, available for sale	321,174	745,453
Accounts receivable, net	1,693,513	1,859,184
Unbilled receivable	420,102	426,630
Inventories	13,142	27,024
Other current assets	524,492	779,960
Total current assets	**4,299,360**	**4,766,304**
Deferred income taxes, net	349,597	306,717
Deposit with corporations	51,366	-
Investments in affiliates	5,009	5,583
Other investments	7,217	5,121
Property and equipment, net	839,317	852,241
Operating lease right-of-use assets	-	341,183
Intangible assets, net	1,223,008	1,896,476
Goodwill	1,337,331	2,238,545
Other assets	408,965	502,584
Total assets (a)	**$8,521,170**	**$10,914,754**

See accompanying notes to the condensed consolidated interim financial statements.

HCL Technologies Limited and Subsidiaries

Condensed Consolidated Balance Sheets

Amount in thousands, except share and per share data

	As of	
	March 31, 2019 (audited)	December 31, 2019 (Unaudited)
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Current liabilities		
Current portion of finance lease liabilities	$15,245	$22,735
Current portion of operating lease liabilities	-	83,290
Accounts payable	257,548	259,002
Short term borrowings	104,676	115,129
Current portion of long term debt	56,209	59,780
Accrued employee costs	399,041	386,728
Contract liabilities	152,337	344,108
Income taxes payable	133,955	137,861
Other current liabilities	654,699	1,609,511
Total current liabilities	**1,773,710**	**3,018,144**
Long term debt	415,835	397,663
Deferred income taxes, net	32,242	17,607
Operating lease liabilities, net of current portion	-	238,884
Finance lease liabilities, net of current portion	14,844	37,357
Accrued employee costs	113,121	132,689
Contract liabilities	30,953	48,175
Other liabilities	31,346	80,314
Total liabilities (a)	**$2,412,051**	**$3,970,833**
Commitments and contingencies (Note 21)		
Redeemable non-controlling interests	65,695	70,909
HCL Technologies Limited Shareholders' Equity		
Equity shares, ` 2 par value, authorized 1,500,000,000 and 3,000,000,000 shares		
Issued and outstanding 1,356,278,868 and 2,713,665,096 shares as of March 31, 2019 and December 31, 2019, respectively	55,743	93,788
Additional paid-in capital	412,327	412,327
Share application money pending allotment	1	-
Retained earnings	6,462,718	7,405,407
Accumulated other comprehensive loss	(887,365)	(1,038,510)
Total equity	**6,043,424**	**6,873,012**
Total liabilities, redeemable non-controlling interests and equity	**$8,521,170**	**$10,914,754**

a) Consolidated assets at March 31, 2019 and December 31, 2019 include assets of certain variable interest entities (VIEs') that can only be used to settle the liabilities of those VIEs'. Consolidated liabilities at March 31, 2019 and December 31, 2019, include liabilities of certain VIEs' for which the VIEs' creditors do not have recourse to HCL Technologies Limited and Subsidiaries (See Note 8).
See accompanying notes to the condensed consolidated interim financial statements.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Income
Amount in thousands, except share and per share data

	Three months ended December 31 (Unaudited)		Nine months ended December 31 (Unaudited)	
	2018	**2019**	**2018**	**2019**
Revenues	**$2,201,473**	**$2,543,392**	**$6,354,638**	**$7,392,549**
Cost of revenues (exclusive of depreciation and amortization)	1,388,613	1,566,717	4,032,976	4,664,966
Gross profit	**812,860**	**976,675**	**2,321,662**	**2,727,583**
Research and development	36,418	47,361	95,048	134,846
Selling, general and administrative expenses	267,201	302,233	747,286	894,211
Depreciation and amortization	78,654	112,335	227,175	283,850
Other (income) expense, net	(21,229)	(22,108)	(107,337)	(61,108)
Finance cost	6,908	12,726	14,194	33,956
Income before income taxes	**444,908**	**524,128**	**1,345,296**	**1,441,828**
Provision for income taxes	78,936	96,562	266,902	316,214
Net income	**365,972**	**427,566**	**1,078,394**	**1,125,614**
Net (loss) gain attributable to redeemable non-controlling interest	1,972	1,109	1,972	3,315
Net income attributable to HCL Technologies Limited shareholders	**$364,000**	**$426,457**	**$1,076,422**	**$1,122,299**
Earnings per equity share (See note 16)				
Basic	$0.13	$0.16	$0.39	$0.41
Diluted	$0.13	$0.16	$0.39	$0.41
Weighted average number of equity shares used in computing earnings per equity share				
Basic	2,720,308,724	2,713,419,659	2,763,227,280	2,712,894,011
Diluted	2,721,329,952	2,713,665,096	2,764,248,862	2,713,665,096

See accompanying notes to the condensed consolidated interim financial statements.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
Amount in thousands, except share and per share data

	Three months ended December 31, (Unaudited)		Nine months ended December 31, (Unaudited)	
	2018	2019	2018	2019
Net income attributable to HCL Technologies Limited shareholders	**$364,000**	**$426,457**	**$1,076,422**	**$1,122,299**
Add : Net (loss) gain attributable to redeemable non-controlling interest	$1,972	$1,109	$1,972	$3,315
Other comprehensive income (loss) net of taxes:				
Change in unrealized gain (loss) on cash flow hedges, net of taxes for three month ($13,279), $1,559 and nine month $5,437, $3,816, periods ended December 31, 2018 and 2019, respectively.	61,013	(7,427)	(22,713)	(17,571)
Change in unrealized gain (loss) on securities available for sale, net of taxes for three month ($129), $209 and nine month $153, ($230) periods ended December 31, 2018 and 2019, respectively.	(460)	(663)	(1,263)	76
Change in unrealized (loss) gain on defined benefit plan, net of taxes for three month $63, ($10) and nine month $37, $126 periods ended December 31, 2018 and 2019, respectively.	192	(62)	(139)	(133)
Change in foreign currency translation	105,010	6,458	(357,352)	(133,517)
Other comprehensive income (loss)	**165,755**	**(1,694)**	**(381,467)**	**(151,145)**
Add: Comprehensive income (loss) attributable to redeemable non-controlling interest	-	-	-	-
Total comprehensive income	**$531,727**	**$425,872**	**$696,927**	**$974,469**

See accompanying notes to the condensed consolidated interim financial statements.

HCL Technologies Limited and Subsidiaries
Unaudited Condensed Consolidated Statements of Equity
Amount in thousands, except share and per share data

	Equity shares		Additional paid-in capital	Ordinary shares subscribed	Retained earnings				
	Shares	Par Value			Other unappropriated reserves	SEZ reinvestment reserve*	Accumulated other comprehensive Loss	Total Equity	Redeemable Non-Controlling Interest
Balances as at March 31, 2018	**1,392,246,384**	**$56,715**	**$412,658**	**$2**	**$5,709,736**	**$47,562**	**($578,925)**	**$5,647,748**	**$-**
Shares issued for exercised options	378,520	11	-	(2)	-	-	-	9	-
Buyback of equity shares	(36,363,636)	(983)	(331)	-	(539,565)	-	-	(540,879)	-
Expenses on buyback of equity shares	-	-	-	-	(1,603)	-	-	(1,603)	-
Excess tax benefit from stock options	-	-	1,210	-	-	-	-	1,210	-
Change in redeemable non-controlling interest	-	-	-	-	-	-	-	-	59,050
Cash dividend	-	-	-	-	(142,044)	-	-	(142,044)	-
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(54,881)	54,881	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	-	35,991	(35,991)	-	-	-
Net income	-	-	-	-	1,076,422	-	-	1,076,422	1,972
Other comprehensive income (loss)	-	-	-	-	-	-	(381,467)	(381,467)	-
Balances as at December 31, 2018	**1,356,261,268**	**$55,743**	**$413,537**	**$-**	**$6,084,056**	**$66,452**	**($960,392)**	**$5,659,396**	**$61,022**

* The Company has created SEZ Reinvestment Reserve out of profits of the eligible SEZ Units in terms of the specific provisions of Section 10AA(1) of the Income Tax Act, 1961 ("the Act"). The said reserve should be utilized by the Company for acquiring Plant and Machinery in terms of Section 10AA(2) of the Act.

See accompanying notes to the condensed consolidated interim financial statements.

HCL Technologies Limited and Subsidiaries
Unaudited Condensed Consolidated Statements of Equity
Amount in thousands, except share and per share data

	Equity shares				Retained earnings				
	Shares	**Par value**	**Additional paid-in capital**	**Ordinary shares subscribed**	**Other unappropriated reserves**	**SEZ reinvestment reserve***	**Accumulated other comprehensive loss**	**Total Equity**	**Redeemable non-controlling interest**
Balances as at March 31, 2019	**1,356,278,868**	**$55,743**	**$412,327**	**$1**	**$6,396,399**	**$66,319**	**($887,365)**	**$6,043,424**	**$65,695**
Shares issued for exercised options	553,680	16	-	(1)	-	-	-	15	-
Issue of bonus shares (See note 16)	1,356,832,548	38,029	-	-	(38,029)	-	-	-	-
Cash dividend	-	-	-	-	(137,501)	-	-	(137,501)	-
Dividend to redeemable non-controlling interest	-	-	-	-	-	-	-	-	(2,181)
Change in fair value of redeemable non-controlling interest	-	-	-	-	(4,080)	-	-	(4,080)	4,080
Transfer to special economic zone (SEZ) reinvestment reserve *	-	-	-	-	(73,787)	73,787	-	-	-
Transfer from special economic zone (SEZ) reinvestment reserve *	-	-	-	-	62,480	(62,480)	-	-	-
Net income	-	-	-	-	1,122,299	-	-	1,122,299	3,315
Other comprehensive income (loss)	-	-	-	-	-	-	(151,145)	(151,145)	-
Balances as at December 31, 2019	**2,713,665,096**	**$93,788**	**$412,327**	**$-**	**$7,327,781**	**$77,626**	**($1,038,510)**	**$6,873,012**	**$70,909**

* The Company has created SEZ Reinvestment Reserve out of profits of the eligible SEZ Units in terms of the specific provisions of Section 10AA(1) of the Income Tax Act, 1961 (“the Act”). The said reserve should be utilized by the Company for acquiring Plant and Machinery in terms of Section 10AA(2) of the Act.

See accompanying notes to the condensed consolidated interim financial statements.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Amount in thousands

	Nine months December 31, (Unaudited)	
	2018	2019
Cash flows from operating activities		
Net income	**$1,078,394**	**$1,125,614**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	227,175	283,850
Deferred income taxes	(73,661)	20,233
(Gain) loss on sale of property and equipment	(414)	212
Excess tax benefit related to stock options exercised	(1,209)	-
Gain on sale of investment securities	(19,980)	(14,565)
Equity in earnings of affiliates	(515)	(614)
Provision for doubtful accounts, net	7,448	14,834
Others, net	(6,778)	17,406
	$1,210,460	**1,446,970**
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable and unbilled receivable	(124,706)	(292,203)
Other current, operating lease right-of-use assets and other assets	(207,171)	(65,356)
Accounts payable	50,829	10,306
Accrued employee costs	30,495	9,857
Other current, operating lease liabilities and other liabilities	(28,981)	112,228
Net cash provided by operating activities	**930,926**	**1,221,802**
Cash flows from investing activities		
Purchase of property and equipment and intangibles	(398,938)	(193,041)
Proceeds from sale of property and equipment	4,015	2,634
Acquisition of business, net of cash acquired	(403,905)	(877,757)
Investment in term deposit with banks	(235,000)	(25,557)
Proceeds from term deposit with banks on maturity	321,551	281,793
Investment in term deposits with corporations	(164,906)	(493,723)
Proceeds from term deposits with corporations on maturity	183,604	273,984
Purchase of investment securities	(2,764,873)	(3,930,316)
Proceeds from sale or maturity of investment securities	2,812,196	3,506,191
Purchase of other investment	(4,641)	(2,141)
Investment in equity method investee	(320)	(160)
Dividend from equity method investee	-	199
Net cash used in investing activities	**(651,217)**	**(1,457,894)**

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Amount in thousands

	Nine months December 31, (Unaudited)	
	2018	2019
Cash flows from financing activities		
(Decrease) increase of principal under capital lease obligations, net	693	31,405
Proceeds from short term borrowings	203,855	139,474
Repayment of short term borrowings	(100,000)	(130,291)
Proceeds from long term debt	409,298	14,571
Repayment of long term debt	(14,229)	(28,626)
Buyback of equity shares	(540,020)	-
Expenses on buyback of equity shares	(1,684)	-
Payment for deferred consideration on business acquisition	(3,149)	(41,824)
Capital contribution from non-controlling interests	41,000	-
Dividend paid to redeemable non-controlling interests	-	(2,181)
Proceeds from issuance of equity shares	8	15
Proceeds from subscription of shares pending allotment	-	-
Dividend paid	(142,035)	(137,499)
Excess tax benefit related to stock options exercised	1,209	-
Net cash provided by (used in) financing activities	**(145,054)**	**(154,956)**
Effect of exchange rate changes on cash and cash equivalents	(77,068)	(6,728)
Net decrease in cash and cash equivalents	57,587	(397,776)
Cash and cash equivalents at the beginning of the period	259,569	857,771
Cash and cash equivalents at the end of the period	**$317,156**	**$459,995**

See accompanying notes to the condensed consolidated interim financial statements.

1. ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Limited (the "Company" or the "Parent Company") along with its subsidiaries (hereinafter collectively referred to as the "Group") is primarily engaged in providing a range of IT and Business Services, Engineering and R&D services and Products & Platforms services. The Company was incorporated in India in November 1991. The Group leverages its offshore infrastructure and professionals to deliver solutions across select verticals including financial services, manufacturing (automotive, aerospace, Hi-tech, semi conductors), lifesciences & healthcare, public services (oil and gas, energy and utility, travel, transport and logistics), retail and consumer products, telecom, media, publishing and entertainment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and principles of consolidation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of HCL Technologies Limited and its subsidiaries and are prepared on the basis of US generally accepted accounting principles ("US GAAP") for interim financial reporting to reflect the financial position and results of operations of the Group. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with US GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the Group's annual consolidated financial statements and accompanying notes for the year ended March 31,2019. The unaudited interim condensed consolidated financial statements reflect all adjustments (of a normal and recurring nature) which the management considers necessary for a fair presentation of such statements for these periods. The results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year or for any subsequent period.

The accompanying balance sheet as of March 31, 2019 is derived from audited financial statements but does not include all of the financial information and footnotes required by US GAAP for complete financial statements.

The Group uses the United States Dollar ('$' or 'USD') as its reporting currency.

These unaudited condensed consolidated financial statements include the accounts of all subsidiaries which are more than 50% owned and controlled by the Company. In addition, relationships with other entities are reviewed to assess if the Company is the primary beneficiary in any variable interest entity. If it is determined that the Company is the primary beneficiary, then that entity is consolidated. All intercompany accounts and transactions are eliminated on consolidation. Non-controlling interest represents the non controlling partner's interest in the proportionate share of net assets and results of operations of the Company's majority owned subsidiaries. Non-controlling interest in subsidiaries that is redeemable outside of the Company's control for cash or other assets is reflected in the mezzanine section between liabilities and equity in the consolidated balance sheets at the redeemable value, which approximates fair value. Redeemable non-controlling interest is adjusted to its fair value at each balance sheet date. Any resulting increases or decreases in the estimated redemption amount are affected by corresponding charges or credits to retained earnings. Cumulative dividend payable on preference shares is reflected in net loss (gain) attributable to redeemable non-controlling interest in the consolidated statements of income.

Issuance of shares by a subsidiary to third parties reduces the proportionate ownership interest of the Company in the subsidiary. A change in the carrying value of the investment in such subsidiary due to direct sale of un-issued equity shares is accounted for as a capital transaction and is recognized in equity when the transaction occurs.

The Group accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the affiliate. In the case of investments in Limited Liability Partnerships (LLPs), significant influence is presumed to exist where the Company has more than a 5% partnership interest. The excess of the cost over the underlying net equity of investments in affiliates is allocated to identifiable assets based on the fair value at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

The Group's equity in the profits (losses) of affiliates is included in the condensed consolidated statements of income unless the carrying amount of an investment is reduced to zero and the Group is under no guaranteed obligation or otherwise committed to provide further financial support. The Group's share of net assets of affiliates is included in the carrying amount of the investment in the condensed consolidated balance sheet.

(b) Use of estimates

The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income that are reported and disclosed in the condensed consolidated financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Group may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used, but not limited to accounting for costs expected to be incurred to complete performance under IT service arrangements, allowance for uncollectible accounts receivables and unbilled receivables, accrual of warranty costs, income taxes, valuation of share-based compensation, future obligations under employee benefit plans and performance incentives, the measurement of lease liabilities and right of use assets, the useful lives of property, equipment and intangible assets, impairment of property, equipment, intangible assets and goodwill, estimates used to determine the fair value of assets acquired, including intangible assets and goodwill, and liabilities assumed in business combinations, valuation allowances for deferred tax assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

(c) Functional currency and translation

The functional currency of each entity in the Group is its respective local currency except for seven subsidiaries outside India. The functional currency of the Company is INR. The translation from functional currency into USD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective periods. The gains (losses) resulting from such translation are reported as a component of 'other comprehensive income (loss)'.

Foreign currency denominated monetary assets and liabilities are re-measured into the functional currency at exchange rates in effect at the balance sheet date. Foreign currency transaction gains and losses are recorded in the condensed consolidated statement of income within 'other income'. Any exchange difference in intercompany balances arising because of elimination of intercompany transactions are recorded in foreign currency translation under 'other comprehensive income (loss)'.

(d) Revenue recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a client, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Time-and-material/Volume based/ Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced, transactions processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed, in accordance with the practical expedient in ASC 606-10-55-18.

Fixed Price contracts

Revenue related to Fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development is recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated direct and incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in Cost of revenues and recorded in other accrued liabilities.

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in ASC 606-10-55-18. If invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

Revenue from product sales are shown net of applicable taxes, discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Multiple-performance obligations

When a sales arrangement contains multiple performance obligations, such as services, hardware and Licensed IPs (software) or combinations of each of them, revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which group would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable using the guidance for recognizing Software revenue (ASC 606-10-55) and the lease revenue, as amended.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future are considered as contract fulfillment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fee paid to customers are deferred and classified as Deferred contract cost and amortized to revenue or cost, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Group is a principal in the transaction and net of costs when the Group is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Group is a principal or an agent, most notably being whether group controls the goods or services before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

Revenue recognized but not billed to customers is classified either as Contract assets or Unbilled receivable in our consolidated statements of financial position. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and right to consideration is not unconditional. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method.

(e) Inventories

Inventories represent items of finished goods that are specific to execute composite contracts and also include finished goods which are interchangeable and not specific to any project. Inventory is carried at the lower of cost or net realizable value. The net realizable value is determined with reference to selling price of goods less the estimated cost necessary to make the sale. Cost of goods that are procured for specific projects is assigned by specific identification of their individual costs. Cost of goods which are interchangeable and not specific to any project is determined using weighted average cost formula. Inventories also include goods held by customer care department at customer’s site for which risk and rewards have not been transferred to customers.

(f) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation which is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Asset description	Asset life (in years)
Buildings	20
Computer and networking equipment	4 to 5
Software	3
Furniture, fixtures and office equipment	5 to 7
Plant and equipment	10
Vehicles	5

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset. The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of the software.

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before the balance sheet date are classified as capital work-in-progress (Note 6).

(g) Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessee

Group is Lessee in case of office space, accommodation for its employees and IT equipment. These leases are evaluated to determine whether it contains a lease and they are classified as Finance lease or Operating lease in accordance with Financial Accounting Standard Board's (FASB) guidance under ASC 842, 'Accounting For Leases'.

Effective April 1, 2019, all leases with a term of more than 12 months are recognized as right-of-use assets and associated lease liabilities, in the condensed consolidated balance sheet.

Right-of-use assets represent the Group's right to control the underlying assets under lease, and the lease liability is the obligation to make the lease payments related to the underlying assets under lease. Right-of-use assets are for finance lease and operating lease.

Operating lease - Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease Incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less.

Finance lease – Right-of-use asset is capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Finance lease assets are depreciated on a straight-line basis, over a period consistent with the Group's normal depreciation policy for tangible fixed assets, but not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the finance lease obligation.

Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease lability.

The lease liabilities are measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Group's incremental borrowing rate, which approximates the rate at which the Group would borrow in the country where the lease was executed. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Group is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease. Lease Liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The Group has elected to not recognize leases with a lease term of 12 months or less in the Consolidated balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the condensed consolidated statement of income. For all asset classes, the Group has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

Group as Lessor

When substantially all the risks and rewards of property ownership have been transferred to the Group, as determined by the test criteria in FASB's guidance under ASC 842, the lease qualifies as a finance lease which is further sub classified into Sales type lease or Direct finance lease. For a sales-type lease, the net investment in the lease is measured at commencement date as the sum of the lease receivable, the estimated guaranteed and unguaranteed residual value of the equipment. Any selling profit or loss arising from a sales-type lease is recorded at lease commencement.

Operating lease income and expense is recognized on a straight-line basis over the term of the lease.

When arrangements include multiple performance obligations, the company allocates the consideration in the contract between the lease components and the non-lease components on a relative standalone selling price basis.

(h) Impairment of long-lived assets and long-lived assets to be disposed off

In accordance with the provisions of ASC Topic 360, "Accounting for Impairment or Disposal of Long Lived Assets", long-lived assets, other than goodwill, are tested for impairment, based on undiscounted cash flows, whenever event or changes in circumstances indicate that their carrying amounts may not be recoverable and, if impaired, written down to fair value.

(i) Investment securities

Investment securities consist of available-for-sale debt securities and other investments.

Available-for-sale securities having a readily determinable fair value are carried at fair value based on quoted market prices. Temporary unrealized gains and losses, net of the related tax effect are excluded from income and are reported as a separate component of 'other comprehensive income (loss)', until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first-in-first-out method and are included in earnings.

Other investments for which sufficient, more recent information to measure fair value are not available are measured at cost.

For individual securities classified as available-for-sale, the Group determines whether a decline in fair value below the carrying value is other than temporary. If it is probable that the Group will be unable to collect all amounts due according to the contractual terms of a debt security, an other-than-temporary impairment is considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to its fair value representing the new cost basis and the amount of the write-down is included in earnings ,i.e., accounted for as a realized loss.

(j) Research and development

Research and development cost are expensed as incurred. Costs that are incurred to develop the finished product after technological feasibility has been established are capitalised as an intangible asset. Expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future use is capitalized as property and equipment.

(k) Cash equivalents, deposits with banks and restricted cash

The Group considers all highly liquid investments with an original maturity of three months or less, at the date of purchase/investment, to be cash equivalents. Restricted cash represents margin money deposits against guarantees, letters of credit and bank balance earmarked towards unclaimed dividend. Restrictions on margin money deposits are released on the expiry of the term of guarantees and letters of credit.

Term deposits with banks and corporations represent term deposits earning fixed rate of interest with maturities ranging from more than three months to twenty-four months at the date of purchase/investment. Interest on term deposits with banks and corporations is recognized on an accrual basis.

(l) Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. The effect on deferred income tax assets and liabilities due to change in the tax rates is recognized in income in the period that includes the enactment date. Tax benefits earned on exercise of employee stock options in excess of compensation charged to income are credited to income tax expense in the consolidated statement of income. Provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

(m) Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, using the treasury stock method for options and reverse treasury stock method for buy back, except where results would be anti-dilutive.

(n) Stock based compensation

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company measures stock-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight line basis (net of estimated forfeitures) over the employee’s requisite service period for an award with only service condition and for an award with both service and performance condition on a straight line basis over the requisite service period for each separately vesting portion of the award, as if award was in substance, multiple awards. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The cost is recorded in cost of revenue and selling, general and administrative expenses in the condensed consolidated statement of income based on the respective employees’ function.

All excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur.

(o) Employee benefits

Defined contribution plan

Contribution to defined contribution plans is recognised as expense when employees have rendered services entitling them to such benefits.

Defined benefit plan

Provident fund:

Employees in India receive benefits from a provident fund. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Group; while the balance contribution is made to the Government administered Pension fund. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates.

Gratuity:

Employees in India are entitled to benefits under the Gratuity Act, a defined benefit retirement plan covering eligible employees of the Group. This plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and tenure of employment (subject to a maximum amount as prescribed under the Gratuity Act). The Group accounts for liability based on actuarial valuation using the projected unit credit method at the end of each year. The Group has unfunded gratuity obligations except in respect of certain employees in India, where the Group contributes towards gratuity liabilities to the Gratuity Fund Trust, which invests the contributions in a scheme with the Life Insurance Corporation of India as permitted by law.

Compensated absences:

The employees of the Group are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Group measures the expected cost of compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Group recognizes accumulated compensated absences based on actuarial valuation using the projected unit credit method as the end of each year. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Group recognizes actuarial gains and losses immediately in the statement of income.

(p) Dividend

Final dividend proposed by the Board of Directors is recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board.

(q) Derivative and hedge accounting

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with forecasted transactions denominated in certain foreign currencies, and interest rate swaps are entered to mitigate interest rate fluctuation risk on our indebtedness. In accordance with FASB guidance ASC 815, "Accounting for Derivative Instruments and Hedging Activities", the Group recognizes all derivatives as assets or liabilities measured at their fair value, regardless of the purpose or intent of holding them. Changes in fair value for derivatives not designated in a hedge accounting relationship are marked to market at each reporting date and the related gains (losses) are recognized in the condensed consolidated statement of income as 'foreign exchange gains (losses)' and finance cost as applicable.

The foreign exchange forward contracts, options and interest rate swaps in respect of forecasted transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the derivative fair values that are designated as effective cash flow hedges are deferred and recorded as component of 'other comprehensive income (loss)' (OCI) until the hedged transaction occurs and are then recognized as 'foreign exchange gains (losses)' and 'finance cost' as applicable in the condensed consolidated statement of income. The ineffective portion of hedging derivatives is immediately recognized in the condensed consolidated statement of income.

(Amount in thousands, except per share data and as stated otherwise)

In respect of derivatives designated as hedges, the Group contemporaneously and formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Hedge accounting is discontinued prospectively from the last testing date when (1) it is determined that the derivative financial instrument is no longer effective in offsetting changes in the fair value or cash flows of the underlying exposure being hedged; (2) the derivative financial instrument matures or is sold, terminated or exercised; or (3) it is determined that designating the derivative financial instrument as a hedge is no longer appropriate. When hedge accounting is discontinued the deferred gains or losses on the cash flow hedge remain in 'other comprehensive income (loss)' until the forecasted transaction occurs. Any further change in the fair value of the derivative financial instrument is recognized in current period earnings.

See Note 10 for additional information.

(r) Goodwill and intangibles

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. Goodwill is tested annually on March 31, for impairment, or sooner when circumstances indicate impairment may exist, using a fair-value approach at the reporting unit level. A reporting unit is the operating segment, or a business, which is one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by the management at that level. Components are aggregated as a single reporting unit if they have similar economic characteristics. In accordance with ASC topic 350, *"Intangibles - Goodwill and Other"*, all assets and liabilities of the acquired businesses including goodwill are assigned to reporting units. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned with the sum of the carrying value of the assets and liabilities for that reporting unit. The fair value used in this evaluation is estimated based upon discounted future cash flow projections for the reporting unit. These cash flow projections are based upon a number of estimates and assumptions.

Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Certain Licensed IPRs which include the right to modify, enhance or exploit are amortised in proportion to the expected benefits over the useful life which could range up to 15 years. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset with the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The intangible assets with definite lives are amortized over the estimated useful lives of the assets as under:

Asset description	Asset life (in years)
Customer relationships	1 to 10
Customer contracts	0.5 to 10
Technology	2.5 to 15
Licensed IPRs	5 to 15
Assembled workforce	5
Non-compete agreements	3 to 5
Intellectual property rights	4 to 6
Brand and others	2 to 5

(Amount in thousands, except per share data and as stated otherwise)

(s) Reclassifications

Certain reclassifications have been made to conform prior period condensed consolidated financial statements to the classification used in the current period. The Company during the three and six month periods ended September 30, 2019 changed the functional classification within the condensed consolidated statement of income, which has resulted in separate presentation of “Research and Development” cost with corresponding decrease in “Cost of revenues” and increase in “Gross profit”. The reclassification had no impact on the reported net income, comprehensive income or shareholders’ equity.

(t) Recently issued accounting pronouncements

Adoption of new accounting principles

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) “Leases (ASC 842)”. This update, as well as additional amendments and targeted improvements issued supersedes existing lease accounting guidance found under ASC 840, Leases, and requires the recognition of right-of-use assets and lease obligations by lessees for those leases originally classified as operating leases under prior lease guidance.

The Group has adopted the new Accounting Standards Codification ASC 842, Leases, effective April 1, 2019 using the modified retrospective approach which involves recognizing new right-of-use (“ROU”) assets and lease liabilities on its consolidated balance sheets for various operating leases. Comparative information has not been adjusted and continues to be reported under ASC 840. As a result of the Group’s adoption of this new standard, all leases are classified as either operating leases or finance leases and are recorded on the consolidated balance sheets. The Group also elected the “package of practical expedients”, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Group has elected the lessee practical expedients to combine lease and non-lease components and account for the combined unit as a single lease component, in case there is no separate payment defined under the contract and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option that the lessee is reasonably certain to exercise (“short-term leases”). The accounting for finance leases (capital leases under ASC 840) is substantially unchanged.

As a result of adoption of ASC 842, the Group recognized additional lease liabilities of $306,993, and ROU assets of $331,123.

Impact on consolidated financial statements

The following table summarizes the impact of the Group’s adoption of ASC 842 on its consolidated financial statements as of April 1,2019.

	As reported March 31, 2019	Adoption of ASC 842 Increase (Decrease)	Balance as of April 01, 2019
Prepaid expenses (note1)	$146,115	($3,496)	$142,619
Prepaid rentals for Leasehold land (including current and non current portion) (note2)	41,249	(41,249)	-
Operating lease right-of-use assets	-	331,123	331,123
Operating leases liability (including current and non current portion)	-	306,993	306,993
Accrued liabilities and expenses – current (note3)	409,146	(20,615)	388,531

Note1: Includes prepaid rent amounting to $3,496, reclassified to operating lease right-of-use assets.

Note2: Prepaid rental for leasehold land amounting to $41,249 has been reclassified to operating lease right of use assets.

Note3: Includes lease equalization reserve of $20,615 adjusted with operating lease right-of-use assets.

New accounting pronouncements

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance makes targeted improvements to existing US GAAP for financial instruments, including requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requiring entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and requiring entities to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option. ASU 2016-01 is effective for the year ended March 31, 2020. Early adoption of the own credit provision is permitted. The Group is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments—Credit Losses" which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments are effective for the year ended March 31, 2024. including interim periods within those fiscal years. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15) "Classification of Certain Cash Receipts and Cash Payments". The amendments in this Update apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments in this Update are effective for the year ended March 31, 2020. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16 (ASU 2016-16) "Intra-Entity Transfers of Assets Other Than Inventory". Current GAAP prohibits the recognition of current and deferred income taxes for intra-entity asset transfers until the asset has been sold to an outside party. The amendments in this Update eliminate this prohibition for intra-entity transfer of assets other than inventory but retain the prohibition for intra-entity transfer of inventory. Consequently, an entity is required to recognize the current and deferred income taxes resulting from an intra-entity transfer of assets other than inventory when the transfer occurs. The amendments in this Update are effective for the year ended March 31, 2020.The amendments in this Update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) "Restricted Cash - Statement of Cash Flows (Topic 230)". Diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This Update requires that the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for the year ended March 31, 2020. Early adoption is permitted and any adjustments should be reflected as of the beginning starting first quarter of that year. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) “Intangibles—Goodwill and Other (Topic 350)”, Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this Update are effective for the year ended March 31, 2023 including interim periods. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07) “Compensation—Retirement Benefits (Topic 715)”, Under generally accepted accounting principles (GAAP), defined benefit pension cost and postretirement benefit cost (net benefit cost) comprise several components that reflect different aspects of an employer’s financial arrangements as well as the cost of benefits provided to employees. The amendments in this Update require that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The amendments in this Update are considered an important part of the Board’s continuing efforts to improve the accounting and presentation related to defined benefit pension or other postretirement benefit plans. The amendments in this Update are effective for the year ended March 31, 2020. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In August 2017, the FASB issued Accounting Standards Update No. 2017-12 (ASU 2017-12) “Derivatives and Hedging (Topic 815)”. The amendments in this Update more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The amendments address specific limitations in current GAAP by expanding hedge accounting for both non financial and financial risk components and by refining the measurement of hedge results to better reflect an entity’s hedging strategies. Thus, the amendments will enable an entity to include the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented. The amendments are effective for the year ended March 31, 2022. Early application is permitted in any interim period after issuance of the Update. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13 (ASU 2018-13) “Fair value measurement (Topic 820)”. The amendments in this Update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, including the consideration of costs and benefits. The amendments are effective for the year ended March 31, 2021 including interim periods. Early adoption is permitted upon issuance of this Update. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, “Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” The ASU modifies the disclosure requirements with respect to defined benefit pension plans. The ASU is effective for the Company beginning April 1, 2022. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In May 2019, the FASB issued ASU No. 2019-05, “Financial Instruments—Credit Losses (Topic 326).” The ASU provides final guidance that allows entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets measured at amortized cost (except held-to-maturity securities) using the fair value option. The ASU is effective for the year ended March 31, 2024, including interim periods within those fiscal years. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740). The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The ASU is effective for the year ending March 31, 2023, including interim periods within those fiscal years. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

3. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Group to concentration of credit risk consist principally of cash equivalents, short term deposits with banks and corporations, accounts receivables, unbilled receivable, finance lease receivable, investment securities and derivative instruments. The cash resources of the Group are invested with mutual funds, banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties. In the management's opinion, as of March 31, 2019 and December 31, 2019, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

The customers of the Group are primarily corporations based in the United States of America and Europe and accordingly, accounts receivables, unbilled receivables and finance lease receivables are concentrated in the respective countries. The Group periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables and unbilled receivables.

4. TRANSFER OF FINANCIAL ASSETS

The Group has revolving accounts receivable based facilities of $201,000 permitting it to sell certain accounts receivables to banks on a non-recourse basis in the normal course of business. The aggregate maximum capacity utilized by the Group at any time during the three months ended December 31, 2018 and 2019 was $47,113 and $86,294, and nine months ended December 31, 2018 and 2019 was $47,113 and $120,491 respectively. Outstanding utilization against this facility as of March 31, 2019 and December 31, 2019 is $77,658.and $72,968, respectively.

The Group has sold finance lease receivables of Nil, and $26,435 during the three months ended December 31, 2018 and 2019, and Nil and $52,134 during the nine months ended December 31, 2018 and 2019 respectively, on non-recourse basis.

Gains or losses on the sales are recorded at the time of transfer of these receivables and are Nil.

5. ACQUISITIONS IN CURRENT YEAR

Acquisition of Select IBM Software products

On December 07, 2018, the Group had signed a definitive agreement to acquire business relating to select IBM software products for a consideration of $1,775,000.

The Group has acquired these products for security, marketing, commerce, and digital solutions along with certain assumed liabilities and in scope employees. With this the Group gets 100% control on the assets being acquired and has also taken full ownership of the research and development, sales, marketing, delivery and support for these products. IBM will pay the Company for the assumed liabilities as related services are rendered, based on an agreed basis, fair value of the same has been estimated at $505,630.

Acquisition has been consummated effective June 30, 2019.The Group has paid $812,500 till June 30, 2019. $812,500 is payable after one year and $150,000 is payable in three tranches of $50,000 each till July 30, 2021 subject to fulfilment of certain conditions as per agreement. These payables have been fair valued at $929,929.

(Amount in thousands, except per share data and as stated otherwise)

The Group had earlier acquired certain intellectual property rights (Licensed IPRs) from IBM for some of these products and was carrying these licensed IPRs at an unamortized value of $427,306 as of June 30, 2019. This amount has been reduced from Licensed IPRs and included in purchase price.

The purchase price including the fair value of remaining consideration and unamortized value of Licensed IPRs of $929,929 and $427,306 respectively, is $2,169,735 and has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Recoverable from IBM (against contract liabilities)*	$505,630
Contract liabilities*	(509,630)
Property and equipment	290
Deferred tax asset, net	1,436
Customer related intangibles	919,890
Technology	351,730
Goodwill	900,389
Total purchase consideration	**$2,169,735**

*Presented gross of $235,630 recoverable from IBM with a corresponding contract liability for customer contracts entered by IBM for these products with service obligation commencing after June 30, 2019.

The resultant goodwill is considered tax deductible and has been allocated to the Product & Platform segment.

The table below shows the values and lives of intangible assets recognized on acquisition:-

	Amount	**Life (Years)**	**Basis of amortisation**
Customer related intangibles	$919,890	10	In proportion of estimated revenue
Technology	351,730	7 to 10	On straight line basis over the estimated life of the respective product
Total Intangible assets	**$1,271,620**		

Subsequent to the consummation date, the Group has received certain revised information from seller which has resulted in adjustments in the value of assets and liabilities acquired resulting into increase in intangible assets by $16,833 and net assets by $8,436 with corresponding decrease in goodwill by $18,475.

Additionally, the Group has paid first tranche of $40,079 during the nine months period ended December 31, 2019.

The Group is in the process of making a final determination of the fair value of assets and liabilities, and evaluation of certain items relating to taxation. Finalization of the purchase price allocation may result in certain adjustments to the above allocations.

(Amount in thousands, except per share data and as stated otherwise)

Other Acquisitions

a) On April 01, 2019, the Group, through a wholly owned subsidiary, entered into an agreement to acquire 100% shareholding of a Company in US doing business in digital transformation consulting. The acquisition will enhance Group's digital consulting offerings with their strong capabilities in digital strategy development, agile program management, business transformation and organizational change management.

The total purchase price for the acquisition is $45,005. The Group has paid $44,058 till December 31, 2019.

Total purchase consideration of $45,005 has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $933)	$9,990
Deferred tax liabilities	(2,439)
Property and equipment	316
Customer relationship	8,200
Customer contracts	1,400
Brand	800
Goodwill	26,738
Total purchase consideration	**$45,005**

The resultant goodwill is not considered tax deductible and has been allocated to IT and Business Services segment.

The table below shows the values and lives of intangibles recognized on acquisition:

	Amount	Life (Years)
Customer relationship	$8,200	9.0
Customer contracts	1,400	1.0
Brand	800	2.0
Total Intangibles	**$10,400**	

The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

In addition to the purchase consideration, $5,000 is payable to certain key employees over a two-year period. Payment of this amount is in the nature of long term incentive plan to the senior managers of the operating entities that includes retention and performance based bonuses. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business combination".

b) On October 10, 2019, the Group acquired 100% shareholding of a Company in India, which offers an integrated portfolio of services and solutions to its customers in key semiconductor domains. This acquisition offers an opportunity to combine acquiree's analog strength with Group's digital SOC (System on Chip) expertise to gain market share in Very Large Scale Integration design services market.

The total purchase price for the acquisition is $25,889. The Group has paid $23,970 till December 31, 2019.

(Amount in thousands, except per share data and as stated otherwise)

Total purchase consideration of $25,889 has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $1,838)	$4,056
Deferred tax liabilities	(1,033)
Property and equipment	4,865
Customer relationship	4,218
Customer contracts	1,163
Brand	462
Non-Compete Agreement	252
Goodwill	11,906
Total purchase consideration	**$25,889**

The resultant goodwill is not considered tax deductible and has been allocated to Engineering and R&D services segment.

The table below shows the values and lives of intangibles recognized on acquisition:

	Amount	**Life (Years)**
Customer relationship	4,218	8.5
Customer contracts	1,163	1.5
Brand	462	2.5
Non-Compete Agreement	252	3.0
Total Intangibles	**$6,095**	

The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

In addition to the purchase consideration, $2,098 is payable to certain key employees over a three-year period. Payment of this amount is in the nature of long term incentive plan to the key employees of the operating entities that includes retention and performance based bonuses. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on “Business combination”.

ACQUISITIONS IN PREVIOUS YEAR

Acquisition of Actian Corporation

In terms of definitive agreement entered on April 12, 2018 by the Group and Sumeru Equity Partners (SEP), to acquire Actian Corporation, through a joint venture company, the acquisition has been consummated on July 17,2018.

The Group has paid $164,000 to acquire 80.39% stake in Joint venture company and SEP has paid $40,000 to acquire 19.61% of the stake in the joint venture company and the balance purchase consideration has been funded through intercompany loan by the Group. The acquisition is part of the Group’s strategy to augment its capabilities in the products & platforms business.

(Amount in thousands, except per share data and as stated otherwise)

Total purchase consideration of $341,446 (including fair value of options $18,050) has been allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $5,204)	($15,319)
Deferred tax liability	(23,812)
Property and equipment	1,453
Customer relationship	51,264
Technology	58,768
Goodwill (including fair value of options $18,050)	269,092
Total purchase consideration	**$341,446**

The resultant goodwill is not considered tax deductible and has been allocated to Product & Platform segment.

The table below shows the values and lives of intangibles recognized on acquisition:

	Amount	Life (Years)
Customer relationship	$51,264	10.0
Technology	58,768	7.0
Total Intangibles	**$110,032**	

In addition to the purchase consideration, $2,781 is payable to employee of the acquired entity in respect of unvested options, the amount payable in respect of such options is retained by acquirer and will be released upon the individual employee continuing service upto October 01, 2019.This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on “Business combination”. This consideration has been paid during the three months period ended December 31, 2019.

As part of the joint venture agreement, SEP have contributed $40,000 in form of preferred stock qualified as “Mezzanine Equity” in accordance with ASC 480 on “Distinguishing Liabilities from Equity” in the books of joint venture company carrying 11% cumulative dividend rights with participating dividend rights, conversion rights into equity, voting rights and has a put option, after the expiry of 3 years to require the Group to repurchase all the stake owned by SEP at a price dependent upon performance of the acquiree. The Group also has a call option to purchase all stake held by SEP after the expiry of 4.5 years at a price dependent upon the performance of the acquiree.

The equity contribution by redeemable non-controlling interest of $40,000 including the value of options have been fair valued at $58,050 in the consolidated balance sheet in accordance with ASC 810 “Consolidation” and ASC 820 on “Fair value measurements”.

Subsequent to deal consummation, CEO of Actian has paid $1,000 to acquire 0.49% stake in the Joint Venture Company. Post this investment, the Group and SEP stake in the joint venture company is 80.00% and 19.51%, respectively.

During the period ended December 31, 2019, the Group has finalised purchase price allocation for this acquisition, which has resulted in increase in working capital by $5,092 with corresponding reduction in value of Goodwill from $269,092 to $264,001 as at acquisition date.

(Amount in thousands, except per share data and as stated otherwise)

Other Acquisitions

During the year ended March 31, 2019, the Group has made other acquisitions at a total purchase price of $97,535. The Group has paid $96,389 and holdback of $1,146 is payable at the end of two years from the acquisition date.

Total purchase consideration of $97,535 has been allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
Net working capital (including cash of $12,257)	$57,134
Property and equipment	13,376
Goodwill	27,025
Total purchase consideration	**$97,535**

The resultant goodwill is not considered tax deductible and has been allocated to IT and Business Services segment.

In addition to the purchase consideration, $3,437 is payable to key employees over a two year period. Payment of this amount is contingent upon achieving certain specified targets and these employees continuing to be the employees of the company on the payment date. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on “Business combination”.

6. PROPERTY AND EQUIPMENT

As of March 31, 2019 and December 31, 2019, property and equipment comprises the following:

	March 31, 2019	December 31, 2019
Freehold land	$10,771	$12,525
Buildings	432,262	430,651
Computer and networking equipment	617,375	657,301
Software	189,366	203,865
Furniture, fixtures and office equipment	119,870	118,495
Plant and equipment	287,620	293,379
Vehicles	18,254	19,794
Capital work-in-progress	37,693	66,038
	1,713,211	**1,802,048**
Accumulated depreciation	(873,894)	(949,807)
Property and equipment, net	**$839,317**	**$852,241**

Computer and networking equipment includes assets taken on finance lease and represents right of use assets on finance lease of $5,413 and $4,376 as of March 31, 2019 and December 31, 2019, respectively.

(Amount in thousands, except per share data and as stated otherwise)

7. GOODWILL AND INTANGIBLES

The changes in the carrying value of goodwill balances for the period ended March 31, 2019 and December 31, 2019, are as follows:

	March 31, 2019	December 31, 2019
Balance at the beginning of the period	**$1,078,830**	**$1,337,331**
Acquisitions during the period	296,036	939,033
Purchase price adjustments	-	(5,092)
Effect of exchange rate changes	(37,535)	(32,727)
Balance at the end of the period	**$1,337,331**	**$2,238,545**

The components of intangible assets are as follows:

	March 31, 2019	December 31, 2019
Intellectual property rights	$1,041	$1,013
Technology	71,586	411,871
Customer related intangibles	221,062	1,123,909
Licensed IPRs	1,258,219	749,546
Assembled workforce	38,618	38,586
Customer contracts	12,745	15,254
Non-compete agreements	3,464	3,676
Brand and others	3,784	5,071
	$1,610,519	**2,348,927**
Accumulated amortization	($387,511)	(452,450)
Intangibles, net	**$1,223,008**	**$1,896,476**

Amortization expense was $36,391 and $63,075 for the three months period ended December 31, 2018 and 2019, respectively and $107,285 and $139,330 for the nine months period ended December 31, 2018 and 2019, respectively.

The estimated amortization expense schedule for intangible assets based on current balance is as follows:

Year ending March 31,	
2020	$66,535
2021	280,426
2022	254,480
2023	227,057
2024	206,962
Thereafter	861,016
	$1,896,476

8. VARIABLE INTEREST ENTITIES (VIEs)

In evaluating whether the Group has the power to direct the activities of a VIE that most significantly impact its economic performance, the Group considers the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and decision making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

(Amount in thousands, except per share data and as stated otherwise)

The Group is the primary beneficiary holding 100% dividend and distribution rights in VIEs. The Group consolidates VIEs because it has the authority to manage and control the activities that significantly affect the economic performance of the VIEs.

The table below summarizes the assets and liabilities of consolidated VIEs.

	March 31, 2019	December 31, 2019
Current assets		
Cash and cash equivalents	$8,773	$8,356
Term deposits with banks	26,475	17,370
Accounts receivables, net	2,761	977
Unbilled receivable	1,730	3,743
Other current assets	4,625	8,442
Total Current Assets	**$44,364**	**$38,888**
Deferred income taxes, net	6,708	6,976
Property and equipment, net	6,063	5,496
Operating lease right-of-use assets	-	12,408
Other assets	2,641	16,976
Total Assets	**$59,776**	**$80,744**
Current liabilities		
Accounts payable	$267	$686
Accrued employee costs	1,487	2,115
Current portion of Operating leases liability	-	3,037
Other current liabilities	4,594	3,693
Total current liabilities	**$6,348**	**$9,531**
Accrued employee costs	667	922
Operating lease liabilities, net of current portion	-	10,249
Total liabilities	**$7,015**	**$20,702**

a) Assets and liabilities exclude all intercompany accounts and transactions, which are eliminated in consolidation.

b) For the three and nine month periods ended December 31, 2018 and 2019, total revenues, excluding intercompany transactions from VIEs were $12,776, and $8,855, $44,122 and $23,120 respectively.

9. INVESTMENT SECURITIES

Available for sale investment securities consist of the following:

As of March 31, 2019:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	$142,969	$828	$-	$143,797
Corporate debt securities	176,847	530	-	177,377
Total	**$319,816**	**$1,358**	**$-**	**$321,174**

(Amount in thousands, except per share data and as stated otherwise)

As of December 31, 2019:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding loss	Fair value
Mutual fund units – debt	$315,448	$65	$-	$315,513
Corporate debt securities	428,319	1,621	-	429,940
Total	**$743,767**	**$1,686**	**$-**	**$745,453**

The gross unrealized holding gains (losses) have been recorded as part of other comprehensive income (loss).

The maturity profile of the investments classified as available for sale as of December 31, 2019 is set out below:

	Fair value
Less than one year	$631,754
After 1 year through 5 years	95,957
After 5 years through 10 years	17,742
	$745,453

Proceeds from the sale of available for sale securities was $2,812,196 and $3,506,191, for the nine months ended December 31, 2018 and 2019, respectively.

The cost of a security sold or the amount reclassified out of 'accumulated other comprehensive income (loss)' into earnings was determined on investment by investment basis.

The table summarizes the transactions for available for sale securities:

	Three months ended December 31		Nine months ended December 31	
	2018	2019	2018	2019
Net realised gain	$6,804	$3,614	$19,980	$14,565
Reclassification into earnings on maturity/sale out of other comprehensive income	$4,230	$1,392	$13,061	$8,190

10. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group uses derivative financial instruments to manage foreign currency exchange rate risk and interest rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. The Group does not enter into derivative transactions for trading or speculative purposes.

As a result of the use of derivative instruments, the Group is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Group has a policy of entering into contracts only with carefully selected, nationally recognized financial institutions, based upon their credit ratings and other factors. The Group has entered into a series of foreign exchange forward contracts, options and interest rate swaps that are designated as cash flow hedges and the related forecasted transactions extend through June 2023.

(Amount in thousands, except per share data and as stated otherwise)

The following table presents the aggregate notional principal amounts of the outstanding derivative forward covers, together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2019	**December 31, 2019**	**March 31, 2019**	**December 31, 2019**
Foreign exchange forward denominated in:				
USD /INR	$680,470 (Sell)	$651,120 (Sell)	$11,117	($5,319)
GBP/ INR	£14,200 (Sell)	£40,100 (Sell)	666	(828)
GBP/USD	£45,250 (Sell)	£36,250 (Sell)	(9)	(398)
EUR / USD	€ 75,979 (Sell)	€ 101,400 (Sell)	409	(614)
EUR/ INR	€ 72,500 (Sell)	€ 73,000 (Sell)	6,350	5,846
AUD/INR	AUD 16,171 (Sell)	AUD 15,500 (Sell)	796	223
AUD/USD	AUD 5,680 (Sell)	AUD 14,989 (Sell)	11	(268)
SEK/INR	SEK 145,000 (Sell)	SEK 35,000 (Sell)	2,341	465
CHF/USD	CHF 18,133 (Sell)	CHF 19,100 (Sell)	21	(138)
CHF/ INR	CHF 20,900 (Sell)	CHF 26,500 (Sell)	1,038	473
MXN/USD	MXN 262,000 (Sell)	MXN 346,861 (Sell)	(11)	(214)
RUB/USD	RUB 244,000 (Sell)	RUB 398,000 (Sell)	(49)	(143)
NOK/USD	NOK 42,000 (Sell)	- (Sell)	(3)	-
NOK/INR	NOK 201,000 (Sell)	NOK 50,000 (Sell)	1,965	763
CNY/USD	CNY 57,500 (Sell)	CNY 170,000 (Sell)	(9)	(181)
NZD/USD	- (Sell)	NZD 3,250 (Sell)	-	(72)
PLN/USD	PLN 17,750 (Sell)	- (Sell)	-	-
ZAR/USD	ZAR 92,500 (Sell)	ZAR 106,000 (Sell)	32	(202)
BGN/USD	- (Sell)	BGN 31,500 (Sell)	-	(205)
BRL/USD	BRL 36,500 (Sell)	BRL 46,000 (Sell)	(76)	(312)
JPY/INR	- (Sell)	JPY 850,000 (Sell)	-	394
CZKUSD	- (Sell)	CZK 5,000 (Sell)	-	(5)
CAD/INR	- (Sell)	CAD 13,000 (Sell)	-	(79)
CAD/USD	CAD 29,300 (Buy)	CAD 23,000 (Buy)	(316)	291
SGD/USD	SGD 41,000 (Buy)	SGD 54,650 (Buy)	(87)	441
GBP/USD	£10,000 (Buy)	£1,500 (Buy)	89	25
EUR/USD	- (Buy)	€ 17,000 (Buy)	-	12
SEK/USD	SEK 368,500 (Buy)	SEK 374,000 (Buy)	(154)	1,204
JPY /USD	JPY 1,500,000 (Buy)	JPY 3,605,000 (Buy)	(18)	10
PLN /USD	PLN 20,950 (Buy)	- (Buy)	(58)	-
NOK /USD	NOK 84,000 (Buy)	NOK 197,000 (Buy)	110	401
DKK/USD	DKK 24,500 (Buy)	DKK 68,000 (Buy)	(51)	99
PHP/USD	PHP 580,000 (Buy)	PHP 380,000 (Buy)	(74)	16
RUB/USD	RUB 14,000 (Buy)	- (Buy)	-	-
CZK/USD	CZK 111,000 (Buy)	CZK 113,500 (Buy)	(53)	57
			$23,977	**$1,742**

(Amount in thousands, except per share data and as stated otherwise)

The following table presents the aggregate notional principal amounts of the outstanding forward options together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2019	**December 31, 2019**	**March 31, 2019**	**December 31, 2019**
Range Forward (Sell)				
USD/INR	$1,216,487	$744,372	$15,261	$8,518
EUR/INR	€ 44,250	€ 38,500	3,324	1,127
GBP/INR	£15,500	£16,400	834	157
AUD/INR	AUD 16,950	AUD 5,800	862	(28)
CHF/INR	CHF 1,500	-	136	-
SEK/INR	SEK 15,000	SEK 15,000	151	172
Seagull (Buy)				
USD/INR	-	$143,500	-	250
Seagull				
USD/INR	$7,000	-	(53)	-
EUR/INR	-	€ 4,000	-	(9)
GBP/USD	-	£8,000	-	(49)
PUT				
USD/INR	$14,000	-	408	-
			$20,923	**$10,138**

The following table presents the aggregate notional principal amounts of the outstanding interest rate swaps together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2019	**December 31, 2019**	**March 31, 2019**	**December 31, 2019**
Interest rate swap (floating to fixed)	$-	$255,000	$-	($148)
			$-	**($148)**

The notional amount is a key element of derivative financial instrument agreements. However, notional amounts do not represent the amount exchanged by counterparties and do not measure the Group's exposure to credit risk as these contracts are settled at their fair values at the maturity date.

The balance sheet exposure denotes the fair value of these contracts at the reporting date and is presented in US Dollars.

The Group presents its foreign exchange derivative instruments on a net basis in the condensed consolidated financial statements due to the right of offset by its individual counterparties under master netting agreements.

(Amount in thousands, except per share data and as stated otherwise)

The fair value of those derivative instruments presented on a gross basis as of each date indicated below is as follows:

March 31, 2019

	Other current assets	Other assets	Other current liabilities	Other liabilities	Total fair value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	$20,531	$16,368	$1,404	$1,418	$39,721
Foreign exchange contracts in a liability position	(1,404)	(1,418)	(1,404)	(1,474)	(5,700)
Net asset (liability)	**$19,127**	**$14,950**	**$0**	**($56)**	**$34,021**
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	$13,283	$-	$1,772	$-	$15,055
Foreign exchange contracts in a liability position	(1,772)	-	(2,404)	-	(4,176)
Net asset (liability)	**$11,511**	**$-**	**($632)**	**$-**	**$10,879**
Total Derivatives at fair value	**$30,638**	**$14,950**	**($632)**	**($56)**	**$44,900**

December 31, 2019

	Other current assets	Other assets	Other current liabilities	Other liabilities	Total fair value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	$16,850	$5,165	$2,283	$4,888	$29,186
Foreign exchange contracts in a liability position	(2,283)	(4,888)	(2,779)	(7,002)	(16,952)
Interest rate swap contracts in a liability position	-	-	-	(148)	(148)
Net asset (liability)	**$14,567**	**$277**	**($496)**	**($2,262)**	**$12,086**
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	$2,959	$-	$1,594	$-	$4,553
Foreign exchange contracts in a liability position	(1,594)	-	(3,313)	-	(4,907)
Net asset (liability)	**$1,365**	**$-**	**($1,719)**	**$-**	**($354)**
Total Derivatives at fair value	**$15,932**	**$277**	**($2,215)**	**($2,262)**	**$11,732**

The following tables set forth the fair value of derivative instruments included in the condensed consolidated balance sheets as on March 31, 2019 and December 31, 2019:

Derivatives designated as hedging instruments:

	March 31, 2019	**December 31, 2019**
Unrealized gain on financial instruments classified under current assets	$19,127	$14,567
Unrealized gain on financial instruments classified under non current assets	14,950	277
Unrealized loss on financial instruments classified under current liabilities	-	(496)
Unrealized loss on financial instruments classified under non-current liabilities	(56)	(2,262)
	$34,021	**$12,086**

(Amount in thousands, except per share data and as stated otherwise)

Derivatives not designated as hedging instruments:

	March 31, 2019	December 31, 2019
Unrealized gain on financial instruments classified under current assets	$11,511	$1,365
Unrealized loss on financial instruments classified under current liabilities	(632)	(1,719)
	$10,879	**($354)**

The following tables summarize the activities in the condensed consolidated statement of income during the three months ended December 31, 2018

Derivatives in hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from OCI into income (Effective portion)	Amount of gain or (loss) reclassified from OCI into income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	$71,552	Other Income (expense),net	($1,855)	Other Income (expense),net	Nil
	$71,552		**($1,855)**		**Nil**

Derivatives not designated as hedge instruments	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	$8,552

The following tables summarize the activities in the condensed consolidated statement of income during the three months ended December 31, 2019

Derivatives in hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from OCI into income (Effective portion)	Amount of gain or (loss) reclassified from OCI into income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	($4,380)	Other Income (Expense),net	$5,091	Other Income (Expense),net	Nil
Interest rate swap contracts	$930	Finance cost	$235	Finance cost	Nil
	($3,450)		**$5,326**		**Nil**

Derivatives not designated as hedge instruments	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	($6,837)

(Amount in thousands, except per share data and as stated otherwise)

The following tables summarize the activities in the condensed consolidated statement of income during the nine months ended December 31, 2018

Derivatives in hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from OCI into income (Effective portion)	Amount of gain or (loss) reclassified from OCI into income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	($19,739)	Other Income (Expense),net	$6,686	Other Income (Expense),net	Nil
	($19,739)		**$6,686**		**Nil**

Derivatives not designated as hedge instruments	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	($9,865)

The following tables summarize the activities in the condensed consolidated statement of income during the nine months ended December 31, 2019

Derivatives in hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (Effective portion)	Location of gain or (loss) reclassified from OCI into income (Effective portion)	Amount of gain or (loss) reclassified from OCI into income (Effective portion)	Location of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income on derivatives (Ineffective portion and amount excluded from effectiveness testing)
Foreign exchange contracts	(5,481)	Other Income (Expense),net	$14,645	Other Income (Expense),net	Nil
Interest rate swap contracts	168	Finance cost	$485	Finance cost	Nil
	(5,313)		**$15,130**		**Nil**

Derivatives not designated as hedge instruments	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives
Foreign exchange contracts	Other income (expense),net	($5,727)

(Amount in thousands, except per share data and as stated otherwise)

The following table summarizes the activity in 'other comprehensive income (loss)' within equity related to all derivatives classified as cash flow hedges during the nine months ended December 31, 2018 and, 2019:

	December 31,	
	2018	**2019**
Balance as at the beginning of the period (before tax)	$26,017	$29,986
Unrealized (loss) gain on cash flow hedging derivatives during the period	(19,739)	(5,313)
Net gain reclassified into net income on occurrence of hedged transactions	(6,686)	(15,130)
Effect of exchange rate fluctuations	(1,725)	(944)
Balance as at the end of the period	**($2,133)**	**$8,599**
Deferred tax	378	(1,460)
	($1,755)	**$7,139**

As of December 31, 2019, the estimated net amount of existing gain that is expected to be reclassified into the income statement from OCI within the next twelve months is $11,094.

11. OTHER CURRENT ASSETS

As of March 31, 2019 and December 31, 2019, other current assets comprise the following:

	March 31, 2019	**December 31, 2019**
Prepaid expenses	$146,115	$160,357
Prepaid rentals for leasehold land {refer note on 2(t)}	535	-
Interest receivable	13,598	28,709
Prepaid/advance taxes	18,524	20,187
Deposits	11,563	11,826
Deferred contract cost	57,625	76,082
Contract assets	60,778	59,517
Employee receivables	7,759	6,162
Derivative financial instruments	30,638	15,931
Advance to suppliers	12,476	15,337
Finance lease receivable	80,203	72,033
Restricted cash	1,482	1,428
Recoverable from IBM (against Contract liabilities)	-	248,281
Others	83,196	64,110
	$524,492	**$779,960**

(Amount in thousands, except per share data and as stated otherwise)

12. OTHER ASSETS

As of March 31, 2019 and December 31, 2019, other assets comprise the following:

	March 31, 2019	December 31, 2019
Security deposits	$31,960	$36,003
Deferred contract cost	120,448	166,507
Unbilled receivable	16,114	125,162
Prepaid expenses	58,890	50,837
Prepaid rentals for leasehold land {refer note on 2(t)}	40,714	-
Derivative financial instruments	14,950	277
Finance lease receivable	123,031	114,171
Contract assets	2,227	2,059
Restricted cash	19	159
Recoverable from IBM (against Contract liabilities)	-	6,963
Others	612	446
	$408,965	**$502,584**

13. DEBTS

SHORT TERM BORROWINGS

The Group has availed unsecured short term loan amounting to $100,000 and $100,000 as of March 31, 2019 and December 31, 2019 at effective interest of 2.6%

The Group has availed an unsecured bank line of credit from its bankers amounting to $4,676 and $15,130 as of March 31, 2019 and December 31, 2019, respectively, at effective interest rates ranging from 0.7% to 9.8%.

LONG TERM DEBT

	March 31, 2019	December 31, 2019
From banks	$470,745	$456,829
Other	1,299	614
Less: Current portion	(56,209)	(59,780)
	$415,835	**$397,663**

The scheduled principal repayments are as follows:

	December 31, 2019
Within one year	$59,780
One to two years	43,435
Two to three years	327,700
Three to five years	26,528
	$457,443

The Group's borrowings are subject to certain financial and non financial covenants. At December 31, 2019, the Group was in compliance with all such covenants.

Long term debts from banks include:

Unsecured long term loans of $463,510 and $449,585 as of March 31, 2019 and December 31, 2019, respectively, at effective interest rates of 0.9% to 8.1%.

Term loans of $7,235 and $7,244 as of March 31, 2019 and December 31, 2019, respectively, at effective interest rates of 8.5% to 10.4% and secured by hypothecation of vehicles with a gross book value of $16,529 and $17,958 as of March 31, 2019 and December 31, 2019, respectively.

(Amount in thousands, except per share data and as stated otherwise)

Other long term debts include:

Unsecured long term loans from a vendor of $1,299 and $614 as of March 31, 2019 and December 31, 2019, respectively, at Nil interest.

14. OTHER CURRENT LIABILITIES

As of March 31, 2019 and December 31, 2019, other current liabilities comprise the following:

	March 31, 2019	December 31, 2019
Advances from customers	$498	$38,577
Sales tax and other taxes payable	108,586	124,068
Accrued liabilities and expenses	409,146	481,163
Supplier's credit*	97,239	75,377
Due to related parties	4,419	2,376
Derivative financial instruments	632	2,215
Deferred consideration (including contingent consideration)	1,327	853,594
Others	32,852	32,141
	$654,699	**$1,609,511**

* The Group has negotiated extended interest bearing credit terms with certain vendors for extended payment terms up to 360 days. Interest rate on this arrangement ranges from 1.5% to 9.8%.

15. OTHER LIABILITIES

As of March 31, 2019 and December 31, 2019, other liabilities comprise the following:

	March 31, 2019	December 31, 2019
Accrued liabilities and expenses	$4,867	$5,092
Derivative financial instruments	56	2,262
Deferred consideration (including contingent consideration)	1,784	47,955
Others	24,639	25,005
	$31,346	**$80,314**

16. EQUITY SHARES

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of December 31, 2019 is $0.03 (` 2.00).

Voting

Each holder of equity shares is entitled to one vote per share.

Dividends

Dividends declared and paid by the Company are in Indian Rupees. Dividends payable to equity shareholders are based on the net income available for distribution as reported in the standalone financial statements of the Company prepared in accordance with Indian Accounting Standards (Ind-As). Indian law on foreign exchange governs the remittance of dividend outside India. Such dividend payments are subject to applicable taxes.

Bonus Issue

Pursuant to the approval of the shareholders through postal ballot (including remote e-voting), the Company has allotted 1,356,832,548 bonus shares of ` 2/- each fully paid-up on December 10, 2019 in the proportion of 1 equity share for every 1 equity share of ` 2/- each held by the equity shareholders of the Company as on the record date of December 07, 2019. Consequently, the Company capitalized an amount of $38,029 from its retained earnings (other unappropriated reserves) to common stock. All references in the financial statements to number of shares, stock option data, have been retroactively restated to reflect the bonus issue unless otherwise noted.

(Amount in thousands, except per share data and as stated otherwise)

Liquidation

In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive all of the remaining assets of the Company, after distribution of preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

Stock options

There are no voting, dividend or liquidation rights to the option holders under the Company's stock option plans.

17. OTHER INCOME (EXPENSE), NET

For the three and nine month periods ended December 31, 2018 and 2019, other income (expense), net consist of :

	Three months ended December 31		Nine months ended December 31	
	2018	**2019**	**2018**	**2019**
Interest income	$21,345	$15,842	$59,363	$45,307
Gain on sale of investment securities and other investments, net	6,804	3,614	19,980	14,565
Provision for impairment of other investments	-	-	-	(4,135)
Foreign exchange gain (loss), net	(7,829)	1,877	22,582	3,117
Equity in earning of affiliates	(158)	32	515	614
Gain (loss) on sale of property and equipment	17	(30)	414	(212)
Miscellaneous income	1,050	773	4,483	1,852
Other income, net	**$21,229**	**$22,108**	**$107,337**	**$61,108**

18. INCOME TAXES

The effective tax rate (ETR) for the Group for the three and nine month periods ended December 31, 2018 and 2019 is 17.74% and 18.42% and 19.84% and 21.93%, respectively. ETR during three and nine months ended December 31, 2019 includes the impact of acquisition of certain software products from IBM consummated on June 30, 2019. These products have been acquired under SEZ units and profits derived therefrom are 100% exempt from tax during the current financial year. As per provisions of Indian Income Tax Act, goodwill is depreciable for computation of taxable profit. As the taxable profits of these units are 100% exempt from tax, depreciation on goodwill for tax purposes does not provide any tax benefit during the current financial year. As per US GAAP, the Company is required to record tax expense by setting up deferred tax liability on tax depreciable goodwill, which has resulted in increase in ETR.

During the three months ended December 31, 2019, the Taxation Law (Amendment) Act, 2019 has been enacted in India whereby taxpayers can opt for a lower corporate tax rate of 22% subject to taxpayers not claiming any specified tax incentives including tax incentives available to special economic zone units. The Company has restated its deferred tax liabilities/ assets balances which are expected to reverse in future years when the Company plans to opt for the lower corporate tax of 22%.

(Amount in thousands, except per share data and as stated otherwise)

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	March 31, 2019	December 31, 2019
Balance at the beginning of the period	$94,091	$138,524
Increase due to tax position taken during the current period	33,311	-
Increase due to tax position taken during the prior period	13,897	9,808
Increase in tax position due to acquisition during the period	2,500	-
Effect of exchange rate fluctuations	(5,275)	(4,282)
Balance at the end of the period	**$138,524**	**$144,050**

19. EARNINGS PER SHARE

The following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted earnings per equity share:

	Three months ended December 31,		Nine months ended December 31,	
	2018	2019	2018	2019
Weighted average number of equity shares outstanding used in computing basic EPS	2,720,308,724	2,713,419,659	2,763,227,280	2,712,894,011
Dilutive effect of stock options	1,021,228	245,437	1,021,582	771,085
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	2,721,329,952	2,713,665,096	2,764,248,862	2,713,665,096

For the three and nine month periods ended December 31, 2018 and 2019, there were no options to purchase equity shares of common stock with exercise price greater than the average market value of our stock that would have been anti-dilutive.

20. EMPLOYEE BENEFIT PLANS

India operations

The Group has employee benefit plans in the form of certain statutory and welfare schemes covering substantially all of its employees.

Defined benefit Plan

Gratuity

In accordance with Indian law, the Group provides for gratuity, a defined benefit retirement plan (the “Gratuity Plan”) covering all employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee’s base salary and tenure of employment subject to a maximum of $28 (` 2,000,000/-) and the years of employment with the Group.

(Amount in thousands, except per share data and as stated otherwise)

Net gratuity cost for the three and nine month periods ended December 31, 2018 and 2019 comprise the following components:

	Three months ended December 31,		Nine months ended December 31,	
	2018	**2019**	**2018**	**2019**
Service cost	$2,726	$3,362	$8,604	$9,712
Interest cost	1,216	1,404	3,729	4,357
Expected return on plan assets	(37)	(45)	(114)	(135)
Amortization of unrecognized actuarial loss	(84)	(292)	(185)	(879)
Net gratuity cost	**$3,821**	**$4,429**	**$12,034**	**$13,055**

Provident fund

In accordance with Indian law, all employees of Indian entities receive benefits from a provident fund, which is a defined benefit plan. Under this plan, the employer and employee make monthly contributions to a fund managed by certain employees of the Group (“Trust”). The employees contribute 12% of their basic compensation, which is matched by an equal contribution by the employer. The Group contributes two-third of the contribution to the Government administered pension fund subject to a maximum of $0.02 (`1,250/-) and the remaining portion is contributed to the Trust. The rate at which the annual interest is payable to the beneficiaries by the Trust is administered by the government. The Group has an obligation to fund any shortfall on the yield of the Trust’s investments over the administered interest rates. The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and other eligible market securities.

Total contributions made by the Group in respect of this plan for the three and nine months ended December 31, 2018 and 2019 are $5,235 and $6,866, and $14,844 and $19,353, respectively

Total contributions made by the Group towards Employees Pension Scheme for the three and nine months ended December 31, 2018 and 2019 are $3,647 and $4,857, and $11,254 and $14,054, respectively.

Defined Contribution Plan

Superannuation

In respect of superannuation, a defined contribution plan for eligible employees who contribute to a recognized Trust under schedule IV, Part B of Income Tax 1961, Trust funds are administered on its behalf by an appointed fund manager and such contributions for each year of service rendered by the employees are charged to the condensed consolidated statements of income. The Group has no further obligations to the superannuation plan beyond its contributions. Total contributions made in respect of this plan for the three and nine month periods ended December 31, 2018 and 2019 are $107 and $244, and $324 and $677, respectively.

Others

Total contributions made by the Group in respect of other foreign defined contribution plans for the three and nine month periods ended December 31, 2018 and, 2019 are $18,087 and $24,615, and $54,840 and $66,169, respectively.

21. COMMITMENTS AND CONTIGENCIES

Capital commitments

As of December 31, 2019, the Group had contractual commitments for capital expenditure of $81,917.

Other commitments

Some of the Group's software development centers in India are Special Economic Zone/Software Technology Park/Export Oriented Units under the guidelines issued by the Government of India. These units are exempt from goods and service tax and customs levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, goods and service tax, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled.

Other Contingencies

a) A wholly owned subsidiary ("WOS") with a VSAT License had received a demand from Department of Telecommunications ("DoT") in February 2015 for FY 2011-12 and FY 2013-14 for an amount of $18,639 (`1,330 million), including penalty, interest and interest on penalty. It had received provisional assessment orders for all the prior years with no demand. Demand is primarily due to DoT including IT Services revenues and related exchange gains in Adjusted Gross Revenue ("AGR"). The WOS had obtained stay in 2015 and its petition is pending adjudication at the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT"). The IT Services business had been demerged from the WOS with effect from April 01, 2012. The Hon'ble Supreme Court has pronounced its ruling on the AGR matter relating to Unified Access Service License on October 24, 2019. Subsequent to this ruling, the Company has obtained legal opinion and is of the view that it should be able to defend its position in the above matter.

b) The Group is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Group records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Group reviews these provisions at least annually and adjusts these provisions accordingly, to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Group believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of December 31, 2019.

(Amount in thousands, except per share data and as stated otherwise)

22. SEGMENT REPORTING

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose results are reviewed regularly by the chief operating decision maker (CODM), to decide how to allocate resources and assess performance. Till March 31, 2019, CODM evaluated the Group's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services.

Consequent to reorganization of its global operations due to technological changes and business requirements with increased focus to meet customer expectations and provide better services, the group effective April 01, 2019, has reorganized itself into the following segments.

IT and Business Services provide a comprehensive portfolio of IT & Business Services (Application, Infrastructure and Digital Process Operations) and Digital transformation services enabled by Digital and Analytics, IoTWoRKs, Cloud native and Cybersecurity solutions including products developed within these businesses.

Engineering and R&D Services provides comprehensive engineering services and solutions across software, embedded, mechanical, VLSI and platform engineering that support the end to end lifecycle of products – both hardware and software across diverse industries including products developed within this business.

Products & Platforms includes standalone product businesses that provide modernized software products to global clients for their technology and industry specific requirements.

Segment information previously reported has been restated to present business segments following the change in composition of operating segments. This change in segment presentation does not affect the consolidated statements of income and comprehensive income, balance sheets or statements of cash flows.

Assets and liabilities are not identified to any reportable segments, since these are increasingly used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to total assets and liabilities.

Information on reportable segments for the three months ended December 31, 2018 is as follows:

	IT and Business Services	Engineering and R&D services	Products & Platforms	Total
Revenue	$1,629,312	$376,191	$195,970	$2,201,473
Segment earnings	**$278,926**	**$87,444**	**$64,217**	**$430,587**

Information on reportable segments for the three months ended December 31, 2019 is as follows:

	IT and Business Services	Engineering and R&D services	Products & Platforms	Total
Revenue	$1,785,650	$424,210	$333,532	$2,543,392
Segment earnings	**$317,167**	**$87,852**	**$109,726**	**$514,746**

(Amount in thousands, except per share data and as stated otherwise)

Information on reportable segments for the nine months ended December 31, 2018 is as follows:

	IT and Business Services	Engineering and R&D services	Products & Platforms	Total
Revenue	$4,716,516	$1,098,980	$539,142	$6,354,638
Segment earnings	**$841,365**	**$241,877**	**$168,911**	**$1,252,153**

Information on reportable segments for the nine months ended December 31, 2019 is as follows:

	IT and Business Services	Engineering and R&D services	Products & Platforms	Total
Revenue	$5,339,383	$1,245,648	$807,518	$7,392,549
Segment earnings	**$923,104**	**$242,063**	**$249,509**	**$1,414,676**

The CODM assesses the performance of the operating segments based on the measure of segment earnings. This measurement basis adjusts income before income taxes to exclude the effects of cash flow hedge accounting gains (losses), foreign exchange gains (losses), finance costs and other income.

A reconciliation of segment earnings to income before income taxes is provided as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2018	**2019**	**2018**	**2019**
Segment earnings	$430,587	$514,746	$1,252,153	$1,414,676
Foreign exchange gain (loss), net	(7,829)	1,877	22,582	3,117
Finance cost	(6,908)	(12,726)	(14,194)	(33,956)
Other income, net	29,058	20,231	84,755	57,991
Income before income taxes	**$444,908**	**$524,128**	**$1,345,296**	**$1,441,828**

23. DISAGGREGATE REVENUE INFORMATION

The table below presents disaggregated revenue from contracts with the customers for the three and nine months ended December 31, 2018 and 2019, respectively by geography and contract type.

Revenues by geography

Group operates out of various geographies and America and Europe constitute major portion of revenue accounting for over 61% and 26% and 59% and 27% for the three months period ended December 31, 2018 and 2019 respectively and 61% and 26% and 58% and 28% of the revenues for the nine months period ended December 31, 2018 and 2019 respectively, rest of revenue is generated by various other Geographies. Revenue and Cash flow from these geographies are consistent across various periods and are effected only in cases of specific risk with respect to any country or customer as the case maybe.

(Amount in thousands, except per share data and as stated otherwise)

Revenues by contract type

	Three months ended December 31,		Nine months ended December 31,	
	2018	**2019**	**2018**	**2019**
Fixed price	$1,393,674	$1,724,687	$3,963,981	$4,877,807
Time and material	807,799	818,705	2,390,657	2,514,742
Total	**$2,201,473**	**$2,543,392**	**$6,354,638**	**$7,392,549**

24. FAIR VALUE MEASUREMENT

The Group records certain financial assets and liabilities at fair value on a recurring basis. The Group determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The Group holds certain fixed income securities, equity securities and derivatives, which must be measured using the FASB's guidance for fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's assumptions about current market conditions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 —Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 —Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 —Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

In accordance with ASC 820, assets and liabilities are to be measured based on the following valuation techniques:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach – Converting the future amounts based on the market expectations to its present value using the discounting method.

Cost approach – Replacement cost method.

(Amount in thousands, except per share data and as stated otherwise)

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, corporations and debt securities having maturities less than three months	$281,638	$281,638	-	-
Term deposits with banks	$280,818	-	$280,818	-
Deposits with corporation	$243,281	-	$243,281	-
Investment securities, available for sale	$321,174	$321,174	-	-
Derivative financial instruments	$45,588	-	$45,588	-
Liabilities				
Derivative financial instruments	$688	-	$688	-
Contingent consideration	$1,988	-	-	$1,988

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, corporations and debt securities having maturities less than three months	$167,606	$167,606	-	-
Term deposits with banks	$17,406	-	$17,406	-
Deposits with corporation	$454,569	-	$454,569	-
Investment securities, available for sale	$745,453	$315,513	$429,940	-
Derivative financial instruments	$16,209	-	$16,209	-
Liabilities				
Derivative financial instruments	$4,477	-	$4,477	-
Contingent consideration	$750	-	-	$750

Valuation Methodologies

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.

Investments: The Company's investments consist primarily of investment in debt linked mutual funds. Fair values of investment securities classified as available -for -sale are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1. Fair value of corporate debt securities, term deposits with banks and corporations is determined using observable markets' inputs and is classified as Level 2.

Derivative financial instruments: The Group's derivative financial instruments consist of foreign currency forward exchange contracts, options and interest rate swaps. Fair values for derivative financial instruments are based on counter party and broker quotations and are classified as Level 2. See note 10 for further details on Derivative financial instruments.

Fair value of contingent consideration: The fair value measurement of contingent consideration is determined using Level 3 inputs. The Group's contingent consideration represents a component of the total purchase consideration for its acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals.

The fair value of the Group's current assets and current liabilities including short term deposits with Banks, corporations, and short term loans approximate their carrying values because of their short-term maturity.

(Amount in thousands, except per share data and as stated otherwise)

Certain assets are measured at fair value on a non-recurring basis and therefore are not included in the recurring fair value table above. The assets and liabilities consist primarily of long term debt and other non financial assets such as goodwill and intangible assets. Goodwill and intangible assets are measured at fair value initially and subsequently when there is an indicator of impairment, and an impairment is recognized.

25. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income attributable to HCL Technologies limited.

	Three months ended December 31		Nine months ended December 31	
	2018	**2019**	**2018**	**2019**
Unrealized gain on securities available for sale:				
Opening balance (net of tax)	$672	$1,641	$ 1,475	$902
Unrealized gains	3,919	553	11,604	8,518
Reclassification adjustments into other income, net	(4,230)	(1,392)	(13,061)	(8,190)
Income tax benefit (expense)	(129)	209	153	(230)
Effect of exchange fluctuations	(20)	(33)	41	(22)
Closing balance (net of tax)	**$212**	**$978**	**$212**	**$978**
Unrealized gain (loss) on cash flow hedges:				
Opening balance (net of tax)	($62,768)	$14,566	$ 20,958	$24,710
Unrealized gain (loss)	71,552	(3,450)	(19,739)	(5,313)
Reclassification adjustments into other income, net	1,855	(5,326)	(6,686)	(15,130)
Income tax benefit (expense)	(13,279)	1,559	5,437	3,816
Effect of exchange fluctuations	885	(210)	(1,725)	(944)
Closing balance (net of tax)	**($1,755)**	**$7,139**	**($1,755)**	**$7,139**
Actuarial gain (loss) on defined benefit plan:				
Opening balance (net of tax)	$3,391	$7,360	$3,722	$7,431
Actuarial gains (losses)	-	-	72	-
Income tax benefit (expense)	63	(10)	37	126
Effect of exchange fluctuations	129	(52)	(248)	(259)
Closing balance (net of tax)	**$3,583**	**$7,298**	**$3,583**	**$7,298**
Foreign currency translation:				
Opening balance	($1,067,442)	($1,060,383)	($605,080)	($920,408)
Foreign currency translation	105,010	6,458	(357,352)	(133,517)
Closing balance	**($962,432)**	**($1,053,925)**	**($962,432)**	**($1,053,925)**

(Amount in thousands, except per share data and as stated otherwise)

26. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss at March 31, 2019 and December 31, 2019 are as follows:

	March 31,2019	December 31, 2019
Unrealized gain on securities available for sale	$902	$978
Unrealized gain (loss) on cash flow hedges	24,710	7,139
Unrealized gain on defined benefit plan	7,431	7,298
Foreign currency translation	(920,408)	(1,053,925)
	($887,365)	**($1,038,510)**

27. SUBSEQUENT EVENTS

a. On January 17, 2020, the Group announced an interim dividend of ` 2 per share amounting to $76,058 (`5,427 million).

b. The Group has evaluated all the subsequent events through January 17, 2020, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date that would have a material impact on the consolidated financial statements.